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THE
Great-West Life
ASSURANCE COMPANY



THE 87th ANNUAL REPORT-1978

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Board of Directors

Chairman of the Board and Chief Executive Officer

J. W. BURNS*

Chairman of the Executive Committee

PETER D. CURRY*

Deputy Chairman

Power Corporation of Canada, Limited

Directors

W. M. AULD**

President

Bristol Aerospace Limited

MARCEL BÉLANGER, O.C., C.A.**

President

Gagnon et Bélanger, Inc.

JOHN H. COLEMAN

President

J.H.C. Associates Limited

PAUL DESMARAIS, O.C.

Chairman of the Board and Chief Executive Officer

Power Corporation of Canada, Limited

DONALD M. ELLIMAN

Company Director

R. G. GRAHAM

President

Inter-City Gas Limited

C. H. HOLLENBERG, M.D.**

Professor and Chairman

Department of Medicine

University of Toronto

R. O. A. HUNTER*

Company Director

R. H. JONES*

President and Chief Executive Officer

The Investors Group

Vice-Chairman of the Board

A. S. LEACH, O.C.*

Honorary Chairman of the Board

Federal Industries Limited

President

K. P. KAVANAGH*

JOHN A. LOVE

President and Chief Executive Officer

Ideal Basic Industries, Inc.

J. BLAIR MACAULAY**

Fraser & Beatty,

Barristers and Solicitors

E. H. MONCRIEFF*

Company Director

PAUL BRITTON PAINE, Q.C.*

Chairman of the Board and President

Montreal Trust Company

A. M. RUNCIMAN**

President

United Grain Growers Limited

C. N. WOODWARD

Chairman of the Board and Chief

Executive Officer

Woodward Stores Limited

A. V. MAURO, Q.C.

Executive Vice-President

The Investors Group

*Member of the Executive Committee

**Member of the Audit Committee

Record sales and improved earnings for both policyholders and shareholders highlighted the year 1978. The net rate of return on investments continued its upward movement and results in the group health insurance line of business improved significantly. Mortality experience for individual policies was less favorable than the unusually favorable experience in 1977.

Canadian legislation making changes in the basis of accounting for life insurance companies operating in Canada became effective in 1978. The Notes to the Financial Statements have been expanded to include an explanation of the changes which have been introduced. The changes are essentially those contemplated by the Company and communicated to the shareholders by letter dated July 18, 1978 except that the Company was later informed by the Department of Insurance that certain transactions, which it had been understood would be reported in the Statement of Unappropriated Surplus as in previous years, were now to be included in the Summary of Operations as extraordinary items. It should be noted that the Financial Statements for 1977 have been re-stated on the new basis for purpose of comparison.

Sales

In response to a continuing strong demand, total sales of life insurance and annuities increased by 35% over 1977 and recorded a new high for the Company. Measured by the amount of life insurance protection provided and the maturity value of annuity plans issued during the year, sales amounted to \$8,124,604,000. Of this total, 53% was recorded in the United States and 47% in Canada. Health insurance sales, in terms of gross annual premiums, increased 28% and totalled \$104,342,000, also a new high for the Company. United States results accounted for 63% of the total and Canadian results were 37%.

Individual Products

Sales of individual life insurance policies increased 38% to \$1,678,768,000. The average face amount of policies underwritten in 1978 was \$46,509, compared with \$35,318 the previous year. Canadian sales of \$1,162,221,000 were particularly strong and represented an increase of 50% over 1977 while United States sales of \$516,547,000 were up 19%.

The trend apparent in recent years of a shift from participating to non-participating policies continued in Canada and re-emerged in the United States. As reported a year ago, term insurance represented an increasing portion of sales in both countries.

Sales of individual annuities where payments commence at some future date are measured by the maturity value of these products. Sales increased 136% in 1978 to \$443,898,000 with a strong surge in new business in the United States more than offsetting a decline in Canada. Canadian results accounted for \$102,464,000, down 26% from 1977, while the United States recorded sales of \$341,434,000, up 574%. This sharp increase was largely influenced by the introduction of a new single premium deferred annuity product which found ready acceptance in the market.

Single premiums received for annuities where payments commence immediately totalled \$29,801,000, up 59% from the previous year.

Individual Products	Canada (000's)	U.S.A. (000's)	Total (000's)
Life Insurance	\$1,162,221	\$516,547	\$1,678,768
Annuities	102,464	341,434	443,898
	<u>\$1,264,685</u>	<u>\$857,981</u>	<u>\$2,122,666</u>
Health Insurance (annualized premiums)	\$ 3,950	\$ 647	\$ 4,597

Representatives of Investors Syndicate Limited accounted for \$134,768,000 of Canadian life

insurance sales, \$196,000 of health insurance annualized premiums and, in addition, \$9,448,000 in single premiums for immediate annuities.

Group Products

Continued growth in the sales of the Company's group products reflected the growing opportunities in the market for employee benefit plans.

Group life insurance sales increased 32% over 1977 to \$4,238,424,000, with Canadian sales of \$1,889,164,000 up 19% and United States sales up 44% to a record \$2,349,260,000.

Group annuity sales maintained the strong growth pattern of recent years and, at \$1,763,514,000, recorded an increase of 27% over 1977. Canadian sales were up 21% at \$636,056,000 and United States sales increased 30% to reach \$1,127,458,000.

Group health insurance sales measured in terms of new annualized premium income continued to grow and registered an increase of 26%, to total \$99,745,000. New business in Canada accounted for \$34,596,000 and in the United States, \$65,149,000, up 28% and 26% respectively.

Group Products	Canada (000's)	U.S.A. (000's)	Total (000's)
Life Insurance	\$1,889,164	\$2,349,260	\$4,238,424
Annuities	<u>636,056</u>	<u>1,127,458</u>	<u>1,763,514</u>
	<u>\$2,525,220</u>	<u>\$3,476,718</u>	<u>\$6,001,938</u>
Health Insurance (annualized premiums)	<u>\$ 34,596</u>	<u>\$ 65,149</u>	<u>\$ 99,745</u>

Business in Force

Life insurance and annuity business in force increased 16% to \$47,200,029,000. Health insurance in force, in terms of gross annual premiums, increased \$45,289,000 over the previous year and totalled \$369,014,000 at December 31.

Individual Products	Canada (000's)	U.S.A. (000's)	Total (000's)
Life Insurance	\$ 5,039,466	\$ 2,997,670	\$ 8,037,136
Annuities	<u>563,476</u>	<u>435,751</u>	<u>999,227</u>
	<u>\$ 5,602,942</u>	<u>\$ 3,433,421</u>	<u>\$ 9,036,363</u>
Health Insurance (annualized premiums)	<u>\$ 8,849</u>	<u>\$ 3,179</u>	<u>\$ 12,028</u>
Group Products	Canada (000's)	U.S.A. (000's)	Total (000's)
Life Insurance	\$19,387,498	\$10,966,360	\$30,353,858
Annuities	<u>5,381,879</u>	<u>2,427,929</u>	<u>7,809,808</u>
	<u>\$24,769,377</u>	<u>\$13,394,289</u>	<u>\$38,163,666</u>
Health Insurance (annualized premiums)	<u>\$ 142,641</u>	<u>\$ 214,345</u>	<u>\$ 356,986</u>

Income

Premium income for 1978 increased \$259,916,000 over 1977 to \$1,015,949,000 up 34%. Of this total, \$351,096,000 represented premium income from new business, up 77% from the previous year, with the balance representing premiums paid on policies issued in prior years.

The growth in premium income from new business was attributable in large measure to the marked increase in single premium deferred annuity sales in the United States.

Sources of 1978 Premium Income			
Individual Products	First Year (000's)	Single (000's)	Renewal (000's)
Life Insurance	\$17,863	\$ 12,575	\$108,310
Annuities	3,543	193,444	18,367
Health Insurance	<u>4,175</u>	<u>—</u>	<u>7,330</u>
Total Premiums	<u>\$25,581</u>	<u>\$206,019</u>	<u>\$134,007</u>
Group Products	First Year (000's)	Single (000's)	Renewal (000's)
Life Insurance	\$ 8,573	\$ 2,656	\$ 97,799
Annuities	36,269	24,116	157,376
Health Insurance	<u>47,882</u>	<u>—</u>	<u>275,671</u>
Total Premiums	<u>\$92,724</u>	<u>\$ 26,772</u>	<u>\$530,846</u>

Net investment income increased to \$268,500,000, up 21% over 1977. The net rate of return on the Company's total assets was 8.41%.

Total funds available for investment, including repayment of principal on investments of previous years, increased substantially over 1977 and amounted to \$722,000,000. Mortgage investments continued to account for the largest allocation of investible funds, followed by bonds, real estate and common stocks. The rate of interest on bond and mortgage investments made in 1978 was 10.73% in Canada and 9.43% in the United States.

Realized and unrealized capital gains on segregated investment funds were \$5,848,000 in 1978, compared with \$1,744,000 in the previous year. Such capital gains and losses are credited or charged to these funds and do not affect net income of the Company. The gain is offset by an increase of the same amount in the increase in policy reserves noted under Benefits and Expenses.

Benefits and Expenses

The largest part of the Company's income is paid out or credited to policyholders and their beneficiaries and totalled \$1,099,773,000 in 1978. Direct payments were \$635,840,000, an increase of 16% over 1977. They included death benefits on life insurance claims, pension income for annuitants, funds to assist in the costs of hospital care, dental bills and other needs, replacement of income lost through disabling illnesses or accidents and dividends on participating plans. As well, an addition of \$463,932,000 was made to the policy reserves held to provide for future payments to policyholders.

Mortality experience for individual policies was less favorable than both the previous year and long-term expectations. Mortality experience for group policies, however, improved over 1977 and remained at a favorable level. The ratio of claims to premiums in the health insurance line of busi-

ness improved significantly over that recorded a year ago.

Commissions increased 31% while operating expenses, at \$77,583,000, were up 18% over the previous year. However, the Company's ratio of expenses to income declined.

Net Income

In the participating policyholders' account, net income from operations before policyholder dividends was \$47,205,000, up 19% over the previous year, with an increase in investment income a significant factor in the improved result. Of this amount, \$37,116,000 was appropriated for policyholder dividends, up 18% over 1977, and \$12,315,000, including extraordinary items totalling \$2,226,000, was carried forward to the participating policyholders' surplus account.

Net income from operations attributable to shareholders amounted to \$33,841,000, representing \$16.92 per share compared with \$14.66 in 1977, an increase of 15%. Continuing strong investment earnings and an improved result in the United States group health insurance line of business contributed to this result. Including extraordinary items totalling \$3,433,000, net income to shareholders was \$18.63 per share compared with \$15.94 the previous year.

Assets and Liabilities

Assets increased \$590,360,000 to \$3,690,422,000, a growth of 19%. Liabilities, consisting primarily of funds set aside to meet future obligations to policyholders, amounted to \$3,245,222,000. Special reserves were \$94,818,000 while capital and unappropriated surplus increased \$36,656,000 to \$350,383,000, representing 10.8% of liabilities.

* * *

Your Directors record with deep sorrow the untimely death on August 16, 1978 of Mr. James

C. Parlee who served the Company with distinction as a Director since 1967.

At the Annual General Meeting on April 26, 1978, Mr. C. E. Atchison retired from the Board after nine years of valued service and Mr. Arthur V. Mauro, Q.C., Executive Vice-President, The Investors Group, was elected a Director of the Company.

On November 22, 1978, Mr. Peter D. Curry, after eight years in office, relinquished his duties as Chairman of the Board while continuing as Chairman of the Executive Committee. Mr. J. W. Burns, formerly President and Chief Executive Officer, was elected Chairman of the Board and Chief Executive Officer, and Mr. K. P. Kavanagh, formerly Senior Vice-President, Group Operations, was elected President and a Director of the Company.

In July, The Investors Group, which then held

50.1% of the shares of the Company, made an offer to the shareholders for the balance of the outstanding shares. At December 31, 1978, The Investors Group beneficially owned 95.7% of the 2,000,000 issued and outstanding shares.

The results achieved in 1978 reflect the competence and dedication of the Company's personnel both at Head Office and in the Field Organization and the Directors wish to record their appreciation of their contribution.

On behalf of the Board,

J. W. Burns

*Chairman of the Board
and Chief Executive Officer*

K. P. Kavanagh

President

February 1, 1979

Comparative Highlights

At December 31	1978	1977
Life insurance in force (amounts at risk)	\$38,390,994,000	\$33,876,778,000
Annuities in force (maturity values)	8,809,035,000	6,739,819,000
Health insurance in force (annualized premiums)	369,014,000	323,725,000
Assets	3,690,422,389	3,100,061,938*
Unappropriated surplus	348,382,536	311,726,574*
For the Year		
New insurance	5,917,192,000	4,434,139,000
New annuities	2,207,412,000	1,579,137,000
Premium income	1,015,949,242	756,032,625
Net investment income	268,500,299	222,023,163*
Total paid or credited to policyholders including dividends	1,099,772,493	822,446,355*
Earnings per share from operations	16.92	14.66*
Earnings per share including extraordinary items	18.63	15.94*

*re-stated — see note 7

Summary of Operations

Income:	1978	1977 (note 7)
Life insurance and annuity premiums	\$ 680,890,615	\$464,453,741
Accident and health premiums	335,058,627	291,578,884
Investment income	268,500,299	222,023,163
Net realized and unrealized capital gains on assets of segregated investment funds	<u>5,848,201</u>	<u>1,744,202</u>
Total Income	<u>\$1,290,297,742</u>	<u>\$979,799,990</u>
Benefits and Expenses:		
Life and annuity benefits	296,233,818	249,397,456
Accident and health benefits	287,712,485	257,518,515
Interest on funds on deposit	14,778,828	11,920,303
Increase in policy reserves (note 2g)	463,931,940	272,116,445
Dividends to policyholders	<u>37,115,421</u>	<u>31,493,636</u>
Total paid or credited to policyholders	<u>\$1,099,772,492</u>	<u>\$822,446,355</u>
Commissions	36,976,653	28,168,022
Operating expenses	77,582,896	65,726,173
Premium taxes	<u>13,935,144</u>	<u>11,038,645</u>
Net operating income before income taxes	\$ 62,030,557	\$ 52,420,795
Income taxes (note 2e)	<u>18,100,000</u>	<u>14,997,000</u>
Net Income from Operations	<u>\$ 43,930,557</u>	<u>\$ 37,423,795</u>
Extraordinary Items:		
Realized gains/losses on sales of assets (note 3)	3,073,537	2,612,400
Prior years' income tax adjustment	2,216,782	457,787
Share of earnings of subsidiaries (note 2f)	<u>368,833</u>	<u>277,254</u>
Net Income	<u>\$ 49,589,709</u>	<u>\$ 40,771,236</u>
Summary of Net Income (note 2h)		
Attributable to Participating Policyholders		
Net income before policyholder dividends	\$ 47,204,963	\$ 39,590,587
Policyholder dividends	<u>37,115,421</u>	<u>31,493,636</u>
Net income from operations	\$ 10,089,542	\$ 8,096,951
Extraordinary items	<u>2,225,513</u>	<u>791,962</u>
Net income — participating policyholders	<u>\$ 12,315,055</u>	<u>\$ 8,888,913</u>
Attributable to Shareholders		
Net income from operations	\$ 33,841,015	\$ 29,326,844
Extraordinary items	<u>3,433,639</u>	<u>2,555,479</u>
Net income — shareholders	<u>\$ 37,274,654</u>	<u>\$ 31,882,323</u>
Earnings per Share		
From operations	\$16.92	\$14.66
Including extraordinary items	\$18.63	\$15.94

Statement of Unappropriated Surplus

For the Year 1978

	<u>Participating Policyholders</u>	<u>Shareholders</u>	<u>Total</u>
Adjusted opening balance January 1 (note 1)	\$ 94,851,221	\$216,875,353	\$311,726,574
Add:			
Total net income for year from summary of operations	12,315,055	37,274,654	49,589,709
Deduct:			
Dividends to shareholders	—	6,840,000	6,840,000
Changes in special reserves appropriated from surplus			
Investment valuation and currency reserve — net	(2,990,309)	(3,355,486)	(6,345,795)
Reserve for cash value deficiencies and amounts of negative reserves	583,219	6,051,334	6,634,553
Reserve for miscellaneous assets	<u>808,990</u>	<u>4,995,999</u>	<u>5,804,989</u>
Balance December 31	<u>\$108,764,376</u>	<u>\$239,618,160</u>	<u>\$348,382,536</u>

Balance Sheet

December 31, 1978

Assets	1978	1977 (note 7)
Bonds (note 2a)	\$ 934,889,372	\$ 809,564,946
Stocks (note 2b)	317,015,712	252,501,618
Mortgages and sale agreements (note 2a)	1,412,549,812	1,209,932,042
Real estate (note 2c)	275,177,974	219,074,134
Loans to policyholders	189,921,241	180,816,310
Cash and certificates of deposit	27,370,689	10,066,837
Premiums in course of collection	67,949,264	48,931,595
Interest due and accrued	37,013,302	31,359,000
Segregated investment funds (note 2d)	383,716,638	293,970,424
Other assets	44,818,385	43,845,032
	<u>\$3,690,422,389</u>	<u>\$3,100,061,938</u>

J. W. Burns, *Chairman of the Board and Chief Executive Officer*

K. P. Kavanagh, *President*

Liabilities	1978	1977 (note 7)
Policy reserves (note 2g)	\$2,353,188,319	\$1,979,165,293
Policyholders' funds	192,338,716	161,387,806
Provision for 1979 policyholders' dividends	36,802,000	31,721,612
Provision for experience rating refunds	36,803,000	26,119,000
Provision for claims	186,218,066	159,323,979
Segregated investment funds	383,716,638	293,970,424
Other liabilities	56,155,126	45,923,009
	<u>\$3,245,221,865</u>	<u>\$2,697,611,123</u>
Special reserves appropriated from surplus (note 4)	<u>\$ 94,817,988</u>	<u>\$ 88,724,241</u>
Capital stock		
Authorized, issued and fully paid— 2,000,000 common shares of \$1 par value	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Unappropriated surplus		
Participating policyholders	108,764,376	94,851,221
Shareholders	239,618,160	216,875,353
	<u>\$ 348,382,536</u>	<u>\$ 311,726,574</u>
	<u><u>\$3,690,422,389</u></u>	<u><u>\$3,100,061,938</u></u>

Notes to 1978 Financial Statements

1. Accounting basis change

In 1978, amendments to the Canadian and British Insurance Companies Act came into effect which changed the basis of accounting for life insurance companies operating in Canada. Following is a brief description of these changes:

- (a) the book values of invested assets under the new basis are essentially amortized cost for bonds and mortgages, depreciated cost for real estate and adjusted cost for stocks (adjusted for market gains and losses as described below). Formerly these assets were carried at written-down values;
- (b) realized and unrealized gains and losses between cost and market value of the life branch stock portfolio are taken into account over a period of years in the determination of earnings rather than being recorded in the surplus account when realized;
- (c) realized gains and losses on the disposal of life branch debt securities (bonds and mortgages) formerly reported in surplus in the year of disposal are amortized into earnings over the period remaining between disposal date and maturity;
- (d) policy reserves are now calculated using interest and mortality assumptions which more closely reflect current conditions. This results in generally lower reserves than those produced by the assumptions used under the former basis;
- (e) certain expenses of acquiring new business formerly charged to income in the year of acquisition are spread over a period of years;
- (f) certain miscellaneous assets which were previously written off as acquired, are now charged to earnings over varying periods of time, using more conventional accounting principles;
- (g) income taxes charged against operations are calculated using a deferred-tax accounting method, compared with the former taxes-payable method;
- (h) surplus appropriations are required by regulation to provide reserves for investment valuation, the excess of cash values over actuarial reserves and certain miscellaneous assets.

Conversion to the new basis at January 1, resulted in adjustments to surplus as described in the following schedule.

Schedule of Adjustments at January 1, 1978

	Participating Policyholders	Shareholders	Total
Balances December 31, 1977			
Contingency Reserve	\$ 16,000,000	\$ 54,000,000	\$ 70,000,000
Surplus — Shareholders' Account	—	1,603,492	1,603,492
— Unassigned	28,589,450	82,345,998	110,935,448
Total	44,589,450	137,949,490	182,538,940
Policy reserves (note 1d and 1e)	44,942,788	90,265,328	135,208,116
Investment revaluation (note 1a)	31,790,512	25,066,025	56,856,537
Recognition of assets previously expensed as acquired (note 1f)	8,531,750	22,423,639	30,955,389
Adoption of deferred method of income tax recognition (note 1g)	(3,016,163)	(2,092,004)	(5,108,167)
Sub total	126,838,337	273,612,478	400,450,815
Special reserve appropriations (note 1h)			
Investment valuation and currency reserve — net	8,090,864	9,443,405	17,534,269
Reserve for cash value deficiencies and amounts of negative reserves	15,353,923	24,857,200	40,211,123
Reserve for miscellaneous assets	8,542,329	22,436,520	30,978,849
Unappropriated Surplus as adjusted at January 1, 1978	<u>\$ 94,851,221</u>	<u>\$216,875,353</u>	<u>\$311,726,574</u>

2. Significant Accounting Practices

The accounting practices followed by the Company are as prescribed or permitted by the Department of Insurance of Canada for the purpose of reporting to policyholders and shareholders.

- (a) Investments in bonds, debentures and mortgages (debt securities) are basically carried at amortized cost with the securities of the life account adjusted by the unamortized balance of losses or gains on sales of securities. The difference between the proceeds on the sale of a debt security and its amortized cost is considered to be an adjustment of future portfolio yield, and is deferred and amortized over the period to maturity of the security sold.
- (b) Investments in stocks (equity securities) in the life account, are carried at cost plus an adjustment which consists of realized gains and losses as well as a market value adjustment which is a portion of the difference between adjusted book value and year-end market value of all equity securities. The adjustment at December 31, 1978 amounted to \$2,562,207. Equity investments in respect of the accident and health business are carried at cost.
- (c) Real estate held for investment is carried at cost of \$527,497,866 less accumulated depreciation of \$165,093,326 and mortgage liabilities of \$87,226,566.
- (d) Investments held for segregated investment funds are carried at market value.
- (e) Income taxes are calculated using the deferred-tax method. The balance of deferred income taxes included in other liabilities at December 31, 1978 was \$8,910,167.

- (f) Income from subsidiaries is included in these statements under the equity method of accounting.
 - (g) Policy reserves represent the amount required, together with future premiums and investment income, to provide for future benefits, administrative expenses and unamortized acquisition expenses on insurance and annuity policies. Policy reserves are calculated using assumptions appropriate to the policies in force and recognize the deferral of certain costs of acquiring policies. The amount of unamortized deferred acquisition costs deducted in arriving at the policy reserves was \$61,486,577 at December 31, 1978.
 - (h) Net income includes earnings of the participating, non-participating and health insurance accounts. Earnings applicable to shareholders include net earnings of the non-participating and the health accounts and 2½%, as restricted by law, of the distributions from the participating account.
3. Realized gains (losses) on sales of assets shown as an extraordinary item in net income include the results of:
- (i) all disposals of assets of the accident and health account;
 - (ii) disposals of real estate in the life account, and;
 - (iii) gains due to foreign exchange transactions.
4. The special reserves appropriated from surplus are a requirement of the Department of Insurance of Canada. At December 31, the components were as follows:

	1978	1977
Participating account:		
Investment valuation and currency reserve — net	\$ 5,100,555	\$ 8,090,864
Reserve for cash value deficiencies and amounts of negative reserves	15,937,142	15,353,923
Reserve for miscellaneous assets	<u>9,351,319</u>	<u>8,542,329</u>
Total	<u>\$30,389,016</u>	<u>\$31,987,116</u>
Non-participating and health accounts:		
Investment valuation and currency reserve — net	\$ 6,087,919	\$ 9,443,405
Reserve for cash value deficiencies and amounts of negative reserves	30,908,534	24,857,200
Reserve for miscellaneous assets	<u>27,432,519</u>	<u>22,436,520</u>
Total	<u>\$64,428,972</u>	<u>\$56,737,125</u>

5. Transactions in United States currency are recorded dollar for dollar with Canadian.

Conversion to Canadian dollars of the excess of United States dollar assets over United States dollar liabilities at the rate of exchange prevailing at December 31, 1978 would have produced an increase in net assets of approximately \$28,700,000. In accordance with reporting requirements, the life branch portion which amounted to \$23,000,000 is reflected in the balance sheet by a reduction in the invest-

ment valuation reserve shown in note 4 and an increase in unappropriated surplus.

6. With respect to its Canadian operations, the Company was subject to and has complied with the Federal Anti-Inflation Act controls on prices, profit margins, compensation to employees and dividends to shareholders.
7. Comparative figures for 1977 have been restated to recognize the basis change outlined in note 1.

Valuation Actuary's Certificate

Great-West Life



60 Osborne Street North
Winnipeg, Manitoba R3C 3A5
Telephone (204) 946-1190

February 1, 1979

VALUATION ACTUARY'S CERTIFICATE

To the Policyholders, Shareholders, and Directors of
The Great-West Life Assurance Company

The Policy Reserves and Segregated Investment Funds shown in the Balance Sheet at December 31, 1978 have been determined in accordance with the provisions of the Canadian and British Insurance Companies Act. In my opinion: (i) these amounts make proper provision for all unmatured obligations guaranteed under the terms of the Company's policies in-force; and (ii) a proper charge against total net income on account of these liabilities has been made in the Summary of Operations for the year 1978.

J.O. Parsonage, F.S.A., F.C.I.A., M.A.A.A.
Vice-President and Actuary

THE GREAT-WEST LIFE ASSURANCE COMPANY
HEAD OFFICE: WINNIPEG, CANADA - U.S. MARKETING OFFICE: DENVER, COLORADO

Auditors' Report



2200 One Lombard Place
Winnipeg, Man. R3B 0X7
(204) 943-7321 Telex 07-587728

February 2, 1979

AUDITORS' REPORT

To the Policyholders, Shareholders and Directors of
The Great-West Life Assurance Company:

We have examined the balance sheets of The Great-West Life Assurance Company as at December 31, 1978 and 1977, the related summaries of operations for the years 1978 and 1977 and the statement of unappropriated surplus for the year 1978. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1978 and as restated as at December 31, 1977 and the results of its operations for the year 1978 and for the year 1977 as restated, in accordance with the accounting practices described in note 2 to the financial statements consistently applied.

Price Waterhouse Co.

Chartered Accountants

Executive Officers

J. W. BURNS

Chairman of the Board and Chief Executive Officer

K. P. KAVANAGH

President

J. R. CRYSDALE

Senior Vice-President, Investments

O. T. DACKOW

Senior Vice-President, Individual Operations

H. E. HARLAND

Senior Vice-President

R. S. ABBOTT

Vice-President, Marketing

R. E. BEAMISH, M.D.

Vice-President, Underwriting and Medical

W. L. BENSON

Vice-President, Group Major Accounts

G. R. DINNEY

Vice-President, Development

G. W. DOMINY

Vice-President, Corporate Planning

D. C. ELLIOTT

Vice-President, Marketing

J. A. HILLMAN

Vice-President and Controller

K. KRISTJANSON

Vice-President, Personnel

A. D. MACLENNAN

Vice-President, Group Operations

H. W. B. MANNING

Vice-President and Counsel

J. A. MITCHINSON

Vice-President, Real Estate Investments

J. O. PARSONAGE

Vice-President and Actuary

R. B. PENNYCOOK

Vice-President, Corporate Systems

R. K. SIDDALL

Vice-President and Secretary

M. G. SMITH

Vice-President, Mortgage and Bond Investments

Marketing Offices—Canada

CANADIAN MARKETING HEADQUARTERS
Suite 1100, 191 Pioneer Avenue
Winnipeg, Manitoba

QUÉBEC MARKETING OFFICE
25 Edison, Flr. E., Place Bonaventure
Montréal, Québec

CANADA EASTERN MARKETING OFFICE
1101-11 King Street West
Toronto, Ontario

CANADA WESTERN MARKETING OFFICE
1405 The Home Tower, Toronto-Dominion Square
Calgary, Alberta

BRITISH COLUMBIA

Burnaby
105-4664 Lougheed Highway (I)

Prince George
602-550 Victoria Street (I)

Vancouver
930-505 Burrard Street (I)
1177 West Hastings Street (I, G)

Victoria
1204-1175 Douglas Street (I)

Kelowna
201-1610 Bertram Street (I)

ALBERTA

Calgary
907 The Dome Tower (I)
904 The Dome Tower (G)

Edmonton
1220 Royal Bank Building (I)
1214 Royal Bank Building (G)
900-10025 Jasper Avenue (I)

SASKATCHEWAN

Regina
655-2625 Victoria Avenue (I)
102-1823 Cornwall Street (G)

Saskatoon
201, 230-22nd Street East (I)

MANITOBA

Brandon
400-740 Rosser Avenue (I)

Winnipeg
300-155 Carlton Street (G)
302-155 Carlton Street (I)
1100-1 Lombard Place (I)
1000-444 St. Mary Avenue (I)
217-153 Lombard Avenue (I)

ONTARIO

Hamilton
9th Floor, 155 James Street South (I)
1020-100 King Street West (G)

Kingston
501-837 Princess Street (I)

Kitchener
1020-22 Frederick Street (I)

London
200 Queens Avenue (I)

Mississauga
600-101 Queensway West (I)

Ottawa
1900-130 Albert Street (I)
206-1335 Carling Avenue (G)

Peterborough
2nd Floor, 311 George Street (I)

Toronto
14th Floor, 120 Adelaide Centre West (I)
2 Carlton Street (I)
2500-2 Bloor Street West (I)
1802-181 University Avenue (G)
211 Consumers Road (I)

Windsor
1015 University Avenue West (I)

QUÉBEC

Hull
3rd Floor, 15 Gamelin Boulevard (I)

Montréal
1860-500 Place d'Armes (I)
200-4 Place du Commerce, Ile des Soeurs, Verdun (I)
7 Elgin, Place Bonaventure
1711 One Westmount Square (I)
1901-1 Place Ville Marie (G)

Québec
4 Place Québec, Niveau BI. (I)

NEW BRUNSWICK

Saint John
301-35 Charlotte Street (I)

NOVA SCOTIA

Halifax
705-6080 Young Street (I)
1304-1809 Barrington Street (G)

NEWFOUNDLAND

St. John's
5th Floor, Royal Trust Building, Water Street (I)

PRINCE EDWARD ISLAND

Charlottetown
57 Queen Street (I)

(G) group offices
(I) individual offices

Marketing Offices—United States

UNITED STATES
MARKETING HEADQUARTERS
1300–1515 Arapahoe Street
Denver, Colorado

ARIZONA
Phoenix
204C–4350 Camelback Road (I)

CALIFORNIA
Los Angeles
9th Floor, 3701 Wilshire Boulevard (I, G)
830–3701 Wilshire Boulevard (B)

Fresno
157–1300 East Shaw Avenue (I, B)
San Jose
820, Towers II,
Campbell & Bascom Avenues (I)

San Francisco
3510 Bank of America World (I, G)
Santa Ana
540 North Golden Circle Drive (I, G)

COLORADO
Denver
1088–1860 Lincoln Street (I, G, B)

CONNECTICUT
Hartford
200–100 Constitution Plaza (I)
225–100 Constitution Plaza (G, B)

GEORGIA
Atlanta
208–One Piedmont Center (I, B)
2180–3340 Peachtree Road, N.E. (G)

ILLINOIS
Chicago
606–6160 North Cicero Avenue (I)
1035 LaSalle Bank Building (I, B)
1030 LaSalle Bank Building (G)
Peoria
500–200 Main Building (I, G)

INDIANA
Indianapolis
730–9000 Keystone Crossing (I, G)

MARYLAND
Baltimore (Towson)
300–8600 LaSalle Road (I)
306–8600 LaSalle Road (G)

MASSACHUSETTS
Boston
400–133 Federal Street (I, G, B)

MICHIGAN
Detroit
2166–100 Renaissance Center (G)
Southfield
714–17117 West 9 Mile Road (I)
Grand Rapids
480 Union Bank Building (I, B)
380–2900 Charlevoix Drive, S.E. (G)

MINNESOTA
Minneapolis
245–6600 France Avenue South (I, G, B)

MISSOURI
St. Louis (Clayton)
1610–7777 Bonhomme Avenue (I, G)
Kansas City
414–500 Nichols Road (I)
314–3100 Broadway (G)

NEBRASKA
Omaha
100–7101 Mercy Road (I)

NEW JERSEY
East Orange
9th Floor, 141 South Harrison Street (I)
55 U.S. Highway #46,
Montville Center III (G)

NORTH DAKOTA
Fargo
614 Gate City Building (I)

OHIO
Cincinnati
120 East 4th Street (I, G)
Cleveland
1325–1801 East Ninth Street (I)
200–1468 West 9th Street (G)
Columbus
2nd Floor, 250 East Town Street (I)
100–250 East Town Street (G)

OKLAHOMA
Tulsa
715–5310 East 31st Street (G)

OREGON
Portland
1600 South-West Fourth Avenue (I, G)

PENNSYLVANIA
Philadelphia
910–2000 Market Street (I, G, B)

TEXAS
Dallas
3636 Cedar Springs Road (I, G, B)
Houston
1300–3000 South Post Oak Road (I, G, B)
Austin
701 West 15th Street (I)

WASHINGTON
Seattle (Bellevue)
400, 108th Avenue North-East Bellevue (I, G)
218–1621, 114th Street, South-East, Bellevue

WISCONSIN
Milwaukee
2250–777 East Wisconsin Avenue (G)

WASHINGTON, D.C.
700–255 M Street N.W. (G)
11300 Rockville Pike, Rockville, Md. (B)

UNITED STATES
PREMIUM COLLECTION CENTER
1300–1515 Arapahoe Street
Denver, Colorado

(G) group offices
(I) individual offices
(B) brokerage offices

Benefit Payments Offices

CANADA

Vancouver

15th Floor, 1177 W. Hastings Street

Edmonton

614-10506 Jasper Avenue

Winnipeg

301-155 Carlton Street

Toronto

4th Floor, 365 Bloor St. East

Montréal

560 Two Place Ville-Marie

Sydney

Sydney Shopping Centre

St. John's

25 Kenmount Road

UNITED STATES

Atlanta

2180-3340 Peachtree Road, N.E.

Boston

400-133 Federal Street

Chicago

1042-135 S. LaSalle Street

Cincinnati

380-120 E. 4th Street

Cleveland

815-1300 E. 9th Street & St. Clair Avenue

Columbus

250 East Town Street

Dallas

3636 Cedar Springs Road

Denver

1020-1860 Lincoln Street

Detroit

2166-100 Renaissance Center

Grand Rapids

390-2900 Charlevoix Drive, S.E.

Houston

1330-3000 South Post Oak Road

Los Angeles

820-3701 Wilshire Boulevard

Milwaukee

2252-777 East Wisconsin Avenue

Minneapolis

245-6600 France Avenue South

Peoria

410-200 Main Building

Philadelphia

9th Floor, 2000 Market Street

Portland

830 Portland Center, Boise-Cascade Building

San Francisco

5th Floor, 100 California Street

Washington

705-8401 Connecticut Avenue, N.W.

Chevy Chase

Seattle

206-400, 108th Avenue, N.E.

St. Louis

1610-7777 Bonhomme Avenue

San Jose

3rd Floor, 1700 The Alameda

Property Investment Offices

CANADA

Vancouver

2643 Three Bentall Centre

Calgary

1200 I.B.M. Building

Edmonton

1424-10025 Jasper Avenue

Winnipeg

812 Royal Bank Building

Toronto

Suite 1410 Richmond-Adelaide Centre

Montréal

P.O. Box 413 Place Bonaventure

Salk, Ward, & Salk, Inc.

11 South LaSalle Street

Chicago, Illinois

Hartger & Willard

141 Ionia Avenue, N.W.

Grand Rapids, Michigan

Northland Mortgage Co.

6600 France Avenue South

Minneapolis, Minnesota

Sheahan Investment Co.

10324 Ladue Road

St. Louis, Missouri

W. Lyman Case & Co.

23 North Fourth Street

Columbus, Ohio

Ward Cook, Inc.

520 S.W. Stark Street

Portland, Oregon

Latimer & Buck, Inc.

1700 Market Street

Philadelphia, Pa.

Southern Trust & Mortgage Co.

2355 Stemmons Freeway

Dallas, Texas

The Robert C. Wilson Co.

505 River Oaks Bank & Trust Bldg.

Houston, Texas

Walker & Dunlop, Inc.

1156-15th Street N.W.

Washington, D.C.

UNITED STATES—Mortgage Correspondents

The Company is represented by mortgage correspondents in its major operational regions in the United States.

Mason-McDuffie Co.

2850 Telegraph Avenue

Berkeley, California

Wallace Moir Company

10th Floor, 9595 Wilshire Blvd.

Beverly Hills, California

Spelman Mortgage & Investment Co.

180 Cook Street, Ste. 209

Denver, Colorado

McElvain-Reynolds Co.

55 East Monroe Street

Chicago, Illinois

Transfer Agent and Registrar Offices

Montreal Trust Company

Vancouver

466 Howe Street

Edmonton

10185, 102nd Street

Winnipeg

221 Portage Avenue

Toronto

15 King Street West

Montréal

777 Dorchester Boulevard West;

One Place Ville-Marie

THE
Great-West Life
ASSURANCE COMPANY

HEAD OFFICE • WINNIPEG, CANADA

